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FISCAL IMPACT REPORT

SPONSOR Beam DATE TYPED 2/3/04 HB 220

SHORT TITLE Tobacco Settlement Revenue Appropriations SB _____

ANALYST Dunbar

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY04	FY05	FY04	FY05		
	\$15,170.0		See Narrative	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to (See "Relationship" below)

SOURCES OF INFORMATION

LFC Files

Responses Received From

- Department of Health (DOH)
- Department of Finance and Administration (DFA)
- Human Services Department (HSD)
- Health Policy Commission (HPC)
- New Mexico Public Education Department (NMPED)

SUMMARY

Synopsis of Bill

House Bill 220 appropriates \$15,170.0 from the Tobacco Settlement revenues deposited in the General Fund to the Department of Health (DOH) as follows:

- ❑ \$8 million for community based comprehensive tobacco use prevention and cessation programs;
- ❑ \$1 million for diabetes prevention and control programs;
- ❑ \$470,000 for human immunodeficiency virus and acquired immune deficiency syndrome care and prevention;

In addition HB220 appropriates:

- ❑ \$1.5 million to the Board of Regents of the University of New Mexico for the Health Science Center for research programs;
- ❑ \$1.9 million to the Board of Regents of the University of New Mexico for health programs;
- ❑ \$1 million to the Board of Regents of the University of New Mexico for the NM Health Science Center to contact for research on emphysema and lung cancer detection and treatment;
- ❑ \$1.3 million to the Human Service Department for breast and cervical cancer.

Total appropriation =\$15,170,000

Significant Issues

A 2002 CDC publication of a Smoking Attributable Morbidity, Mortality and Economic Costs (SAMMEC) analysis estimated that \$360 million was spent in New Mexico in 1998 on direct health care costs due to smoking. Of this amount, \$144 million was spent providing Medicaid services, representing 15% of all Medicaid expenditures. Indirect costs for absenteeism and forfeited future earnings due to smoking-caused morbidity and premature mortality totaled an additional \$397 million.

According to the 2001 Youth Risk and Resiliency Survey, 10.8 percent of New Mexico’s high school youth used tobacco one day or more on school property.

FISCAL IMPLICATIONS

The appropriation of \$15,170.0 contained in this bill is a recurring expense to the General Fund. Any unexpended or unencumbered balance remaining at the end of FY 05 shall revert to the General Fund. Chapter 312 of the 2003 session diverts all the Tobacco Settlement payments from the Tobacco Settlement Permanent funds to the General Fund through FY 06. Tobacco Settlement payments are indistinguishable from General Fund.

The following compares the recommendations for General Fund use for previous Tobacco Settlement Program Projects between HB220, LFC and Agency FY 05 recommendation:

PROGRAM	HB 220	LFC REC	AGENCY RQST & HAFRC REC
DOH tobacco use prevention and cessation	\$8,000,000	\$6,000,000	\$4,700,000
DOH diabetes prevention and control	\$1,000,000	\$1,000,000	\$946,800
DOH HIV care and prevention	\$470,000	\$470,000	\$434,000
UNM research programs	\$1,500,000	\$1,500,000	\$1,500,000
UNM health programs	\$1,900,000	\$1,900,000	\$1,900,000
UNM additional research programs	\$1,000,000	\$1,000,000	\$1,000,000
HSD breast and cervical cancer treatment program	\$1,300,000	\$0	\$0
	\$15,170,000	\$11,870,000	\$10,480,800

Since Tobacco funds are indistinguishable from the General Fund (Reference “Technical Issues” below), LFC notes that enough funds were provided to DOH to fund the contracts that provide

the identified service at the current level. DOH requested the reduced amount noted above and DFA indicates that those amounts were reflected in the HAFC budget. The UNM programs were funded at the LFC request in the HAFC budget that has passed the House.

The Breast and Cervical cancer program has served approximately 200 New Mexico women since its inception in July 2002. The LFC recommendation did not include funds as a separate appropriation because it is integrated into the overall Medicaid program.

ADMINISTRATIVE IMPLICATIONS

The DOH Tobacco Use Prevention and Control Program would require three additional FTE to implement the expanded statewide programs proposed in HB 220, which is a \$3 million increase over FY04. These FTEs would be needed to ensure development, implementation, and evaluation of expanded activities according to best practices.

The Diabetes Program could manage the additional resources with current staff. For the HIV AIDS Program, HB220 would not have any administrative implications as the structure and operations necessary to process these funding are in place.

RELATIONSHIP

HB 220 relates to the following:

- ❑ HB 59 proposes increasing the excise tax of tobacco products (other than cigarettes) from twenty-five to forty percent of the product value.
- ❑ HB 83, which would regulate tobacco sales made in writing, by telephone or over the internet, and require all sellers to follow the provisions of the Cigarette Tax Act.
- ❑ HB 85, which would enact procedural requirements allowing the New Mexico Attorney General to require quarterly deposits into escrow funds for all nonparticipating manufacturers.
- ❑ HB 86, which would modify the tobacco stamp procedure, reduces the volume discount and requires exempt tobacco products to be stamped.
- ❑ HM 01, which calls for tobacco tax parity between the State of New Mexico, each Indian Nation, Tribe and Pueblo.
- ❑ House Bill 89 (HB 89) would make an appropriation from the General Fund to the Department of Health (DOH) of \$200,000 to contract with a nonprofit organization to provide diabetes education, prevention, diagnosis and treatment or related services, diabetes practice guidelines for health care professionals, develop diabetes material for lay persons and distribute diabetes education materials.
- ❑ SB 67 and HB 84, both of which require that the non-participating manufacturers track the number of tobacco units sold in New Mexico and pay into escrow accounts based on units sold in New Mexico.
- ❑ SB 176 would establish a maximum bond amount (\$25 million) on appeal by signatories of the tobacco MSA in a civil action involving the signatories, regardless of the value of the judgment.

TECHNICAL ISSUES

Chapter 312 of the 2003 session diverts all the Tobacco Settlement payments from the Tobacco Settlement Permanent funds to the General Fund through FY 06. Tobacco Settlement payments are indistinguishable from General Fund.

OTHER SUBSTANTIVE ISSUES

Diabetes is the sixth leading cause of death in New Mexico. Approximately 17% of all New Mexicans ages 40 and over have diabetes. Hispanics and American Indians are two to three times more likely to develop diabetes than non-Hispanic Whites. Many school-age children are at high risk for developing Type 2 diabetes, primarily due to lack of physical activity and unhealthy eating habits.

HB220 funding goes directly to those providers providing clinical, care and supports services for New Mexicans living with HIV/AIDS. There are 1,472 persons currently served in the NMDOH HIV Services programs this represents over 70% of the total number of reported persons living with HIV/AIDS in New Mexico. Most NMDOH supported HIV/AIDS are paid on a capitated basis.

HB 220 provides funding to Health Education Centers through the University of New Mexico. These centers include youth services, which provide needed health care to New Mexico's school-age youth, many of whom may not receive regular health care.

Pediatric Oncology:

HB 220 provides \$400,000 for pediatric oncology, assisting in the detection of cancer among New Mexico's children.

Poison and Drug Information Center:

HB 220 provides \$450,000 to fund the Poison and Drug Information Center. Such centers have a direct impact on the potential threat of harm to children due to poisons and prescription drugs.

Specialty Education in Pediatrics:

HB 220 directly affects children with an appropriation to pediatric education for studying specific diseases and health needs of New Mexico's youth.

BD/yr